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FISCAL IMPACT STATEMENT

LS 6844

BILL NUMBER: SB 358

NOTE PREPARED: Jan 1, 2010

BILL AMENDED:

SUBJECT: French Lick and West Baden.

FIRST AUTHOR: Sen. Hume

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: *Riverboat Admissions Tax:* The bill reduces the admissions tax imposed at the French Lick Casino from \$4 to \$3. It eliminates admissions tax distributions to the Orange County Development Commission and the West Baden Springs Historic Hotel Preservation and Maintenance Fund. It also adjusts the amounts paid to other recipients of the admissions tax collected at French Lick Casino.

Riverboat Wagering Tax: The bill requires riverboat wagering taxes that would otherwise be deposited in the West Baden Springs Historic Hotel Preservation and Maintenance Fund to be refunded to the operating agent of the French Lick Casino for state fiscal years beginning after June 30, 2010, and ending before July 1, 2015. It provides that riverboat wagering taxes previously transferred to the Orange County Convention and Visitors Bureau must be transferred to the Orange County Development Commission and the Indiana Economic Development Corporation.

West Baden Springs Historic Hotel Preservation and Maintenance Fund: The bill permits the operating agent of the French Lick Casino to submit claims for the reimbursement of certain expenditures for the maintenance of the West Baden Springs Hotel and its surrounding grounds. It requires the Department of Natural Resources to pay the claims. It also annually appropriates interest accruing to the West Baden Springs Historic Hotel Preservation and Maintenance Fund for the purpose of paying the claims.

Effective Date: Upon passage; July 1, 2010.

Explanation of State Expenditures: *Summary:* The bill makes several changes relating to the disposition of interest earnings from the West Baden Springs Historic Hotel Preservation and Maintenance Fund beginning in FY 2010. It is estimated that interest accruing to the Fund annually could total \$60,000 in FY

2010 and \$300,000 in FY 2011. This assumes an average return on principal in the Fund of about 0.4% in FY 2010 and 1.6% in FY 2011.

Background Information: The West Baden Springs Historic Hotel Preservation and Maintenance Fund receives 19% of the riverboat wagering tax and 13% of the riverboat admissions tax paid by the French Lick Casino. (Note: The Fund also received the \$1 M initial fee paid by the operating agent of the French Lick Casino.) Once the balance in the Fund reaches \$20 M, current statute redirects the wagering tax distribution to the state General Fund. The admissions tax would continue to be distributed to the Fund after the balance reaches \$20 M. It is estimated that the wagering tax distribution could total \$3.7 M in FY 2010 and \$3.9 M in FY 2011; and the admission tax distribution could total \$588,000 in FY 2010 and \$598,000 in FY 2011. Cash and investment assets in the Fund totaled \$16.6 M at the close of FY 2009; consequently, it is estimated that the balance in the Fund will reach the \$20 M threshold by the close of FY 2010.

The Fund is administered by the Department of Natural Resources (DNR). Current statute authorizes the General Assembly to appropriate interest in the Fund to the DNR only to: (1) maintain the parts of the West Baden Springs Hotel that were restored before July 1, 2003; and (2) maintain the grounds surrounding the West Baden Springs Hotel. The bill specifies that interest accruing to the Fund is annually appropriated to the DNR to pay maintenance expense claims by the owner of the West Baden Springs Hotel. The allowable maintenance expenses are as specified under current statute. The bill also requires DNR to promptly pay the claims of the Hotel owner to the extent interest is available in the Fund. The bill also prohibits interest accruing to the Fund from being withheld, transferred, assigned, or reassigned to another purpose under any other state law.

Explanation of State Revenues: Summary: The bill: (1) reduces the riverboat admissions tax rate paid by the French Lick Casino from \$4 per admission to \$3 per admission; and (2) makes changes to the distributions of riverboat admissions tax revenue and riverboat wagering tax revenue from the French Lick Casino. The table below summarizes the revenue impact to state funds due to these changes.

Recipient	FY 2011	FY 2012
State General Fund	(\$3.9 M)	(\$3.9 M)
Indiana Economic Development Corp.	\$35,000	\$12,000
West Baden Springs Historic Hotel Preservation and Maintenance Fund	(\$448,000)	(\$598,000)

Background Information: Riverboat Admissions Tax - The bill makes the following changes:

(1) The bill reduces the riverboat admissions tax paid by the French Lick Casino from \$4 per admission to \$3 per admissions beginning in FY 2011. (Note: The admissions tax imposed on all the other riverboat casinos is currently \$3 per admission.)

(2) The bill eliminates distributions of admissions tax revenue from the French Lick Casino to the Orange County Development Commission and the West Baden Springs Historic Hotel Preservation and Maintenance Fund beginning with admissions tax collected in FY 2011.

(3) The bill increases the distribution percentages of the other entities receiving admissions tax revenue from

the French Lick Casino beginning with admissions tax collected in FY 2011.

The reduction in the admissions tax rate for the French Lick Casino is estimated to reduce revenue from the tax by about \$862,000 in FY 2011 and \$1.15 M in FY 2012. (Note: Due to the one-quarter lag between collection and distribution of admissions tax revenue, the rate reduction will affect quarterly revenue distributions for three quarters in FY 2011, with the full-year impact beginning in FY 2012.) The bill would mitigate the revenue impact of the tax rate reduction to most of the recipients of the admission tax revenue by eliminating the distributions to the Orange County Development Commission and the West Baden Springs Historic Hotel Preservation and Maintenance Fund and adjusting the remaining distributions. The distribution changes and their estimated impacts are summarized in the table below.

Recipient	Admissions Tax Distribution		Impact	
	Current (\$4)	Proposed (\$3)	FY 2011	FY 2012
Orange County, Dubois County, Crawford County*	22%	29.33%	0	0
Orleans	5%	6.67%	0	0
Paoli	5%	6.67%	0	0
French Lick, West Baden Springs**	20%	26.67%	0	0
Orange County Development Commission	10%	0%	(\$345,000)	(\$460,000)
West Baden Springs Historic Hotel Preservation and Maintenance Fund	13%	0%	(\$448,000)	(\$598,000)
Indiana Economic Development Corp.	25%	30.66%	(\$69,000)	(\$92,000)
TOTAL	100%	100%	(\$862,000)	(\$1,150,000)
*This distribution is split 54.5% to Orange County and 22.75% each to Dubois County and Crawford County.				
**This distribution is split equally between French Lick and West Baden Springs.				

Riverboat Wagering Tax - The bill makes the following changes:

(1) The bill shifts an estimated \$3.9 M in annual wagering tax revenue from the state General Fund to the operating agent of the French Lick Casino. The bill refunds 19% of the wagering tax paid by the French Lick Casino for five years - from FY 2011 through FY 2015. The revenue refunded to the French Lick Casino is estimated to total approximately \$3.9 M in FY 2011 and FY 2012. This revenue would otherwise be distributed to the state General Fund. This is based on estimates indicating that the Fund balance will reach the \$20 M threshold by the close of FY 2010. (See *Explanation of State Expenditures* for discussion relating to this Fund.)

(2) The bill shifts an estimated \$414,000 in annual wagering tax revenue from the Orange County Convention and Visitors Bureau (CVB) to the Orange County Development Commission. Currently, 16% of the wagering tax is distributed to French Lick and West Baden Springs. At least 12.5% of this distribution must be transferred to the Orange County CVB. This transfer is estimated to total about \$414,000 in FY 2011 and FY 2012. The bill requires this transfer instead to be made to the Orange County Development Commission beginning in FY 2011.

(3) The bill shifts an estimated \$104,000 in annual wagering tax revenue from the Orange County CVB to the Indiana Economic Development Corporation (IEDC). Currently, 0.5% of the wagering tax is distributed directly to the Orange County CVB. This distribution is estimated to total about \$104,000 in FY 2011 and FY 2012. The bill requires this distribution instead to be made to the IEDC beginning in FY 2011.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:* The bill: (1) reduces the riverboat admissions tax rate paid by the French Lick Casino from \$4 per admission to \$3 per admission; and (2) makes changes to the distributions of riverboat admissions tax revenue and riverboat wagering tax revenue from the French Lick Casino. The table below summarizes the revenue impact to local funds due to these changes.

Recipient	FY 2011	FY 2012
Orange County Development Commission	\$69,000	(\$46,000)
Orange County Convention and Visitors Bureau	(\$518,000)	(\$518,000)

Background Information: See *Explanation of State Revenues* for background discussion of tax and distribution changes.

State Agencies Affected: IEDC; DNR.

Local Agencies Affected: Orange County Development Commission; Orange County CVB.

Information Sources: State Auditor's revenue trial balance and object trial balance for FY 2009; Revenue Technical Committee Forecast (December 15, 2009).

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